

REVELSTOKE COMPANIES LTD.
CONSOLIDATED CONDENSED BALANCE SHEET
(Unaudited)

AR43



REVELSTOKE
COMPANIES LTD.

ASSETS

	1978	(000's)	1977 (Restated)
Current:			
Accounts Receivable.....	\$25,431		\$23,807
Inventories.....	45,901		40,599
Total Current.....	71,332		64,406
Notes Receivable.....	463		209
Property and Equipment (Net of accumulated depreciation and depletion).....	21,380		20,253
Goodwill, less Amortization.....	520		474
	<u>\$93,695</u>		<u>\$85,342</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities.....	\$45,988		\$40,592
Long Term Debt.....	14,868		15,219
Deferred Income Taxes.....	949		2,120
Minority Interest.....	—		364
	<u>61,805</u>		<u>58,295</u>
Shareholders' Equity.....	31,890		27,047
	<u>\$93,695</u>		<u>\$85,342</u>

REVELSTOKE COMPANIES LTD.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(Unaudited)

For the Six Months Ended June 30

	1978	(000's)	1977
Source of Funds:			
Net Earnings for the Period.....	\$ 2,124		\$ 1,253
Add (Deduct) Items Not Affecting Funds from Operations:			
Depreciation, Depletion and Amortization.....	1,275		1,051
Deferred Income Taxes.....	(316)		175
Gain on Disposal of Fixed Assets.....	(159)		(134)
Other.....	(2)		16
	<u>2,922</u>		<u>2,361</u>
Funds from Operations.....	10		10
Notes Receivable.....	246		323
Proceeds on Disposal of Fixed Assets.....	—		6,912
Long Term Debt.....	—		128
Shares Issued.....	<u>3,178</u>		<u>9,734</u>
Application of Funds:			
Fixed Assets.....	2,283		3,237
Purchase of Preference Shares.....	26		30
Dividends.....	418		324
Long Term Debt.....	11		98
Acquisition of Minority Interest in Subsidiary Company.....	255		128
	<u>2,993</u>		<u>3,817</u>
Increase in Working Capital.....	185		5,917
Working Capital at Beginning of Period.....	25,159		17,897
Working Capital at End of Period.....	<u>\$25,344</u>		<u>\$23,814</u>

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS
ENDED JUNE 30, 1978

TO THE SHAREHOLDERS:

Sales in the first six months of 1978 increased 12% to \$74,874,000 compared with \$66,786,000 for the same period in 1977. Net earnings for the first half of 1978 rose by 70% to \$2,124,000 or \$.52 per common share in comparison with \$1,253,000 or \$.31 per share for the similar period in 1977. On an annualized basis, earnings per share for the 12 months ended June 30, 1978 amounted to \$1.30 compared with \$.97 per share for the same 12 month period ending June 30, 1977.

In the second quarter of this year, sales increased 20% in Revelstoke's Retail Division and 15% in the Concrete Division. Both Divisions are continuing to benefit from the strong Alberta economy and the improved outlook for agriculture throughout most of the prairie provinces. The only major markets of the Company not registering growth in retail sales are the Okanagan Valley and Vancouver Island in British Columbia which are still being affected by depressed levels of new housing activity.

The Lumber Division continued to experience a major increase in sales in the second quarter of 1978 resulting from higher lumber prices. The strength of the housing market in the U.S. has surprised most industry analysts and lumber prices are unlikely to moderate until sometime in the fourth quarter of this year.

The Retail Division is taking steps to increase its dominant position in the Alberta market with particular emphasis on Calgary and Edmonton. Within the next 60 days the Company expects to commence construction of two new large stores in both of these cities. In addition, a number of stores are being expanded or relocated in other communities in the province of Alberta.

During the second quarter, the Company changed the name of the six stores on Vancouver Island from Stewart & Hudson to Revelstoke in order to conform with the rest of the chain. This decision was made in order to strengthen Revelstoke's consumer franchise in western Canada. In June, the Company also opened a new store in Nanaimo, B.C. to replace an existing outdated facility.

On May 19, Arthur J. Vincent resigned from the Company's Board of Directors. Everyone at Revelstoke greatly appreciates the contribution which Mr. Vincent made as a director for the last six and one-half years. At the Board Meeting on August 17, G. Mark Curry was appointed a Director of the Company to take Mr. Vincent's place on the Board.

Revelstoke's Directors on August 17 declared a semi-annual dividend of \$.11 per common share payable on October 1, 1978 to all shareholders of record on September 15, 1978. This will bring the total dividends paid in the current year to \$.20 per share which is within the maximum amount allowable under the government's anti-inflation regulations.

The outlook for the remainder of 1978 appears positive for all three of the Company's Divisions. On an overall basis, management anticipates that Revelstoke's performance in 1978 will compare favourably with last year.

G. Mark Curry

STEELE CURRY
President

August 17, 1978

REVELSTOKE COMPANIES LTD. CONSOLIDATED STATEMENT OF EARNINGS (Subject to Audit)

	Six Months Ended June 30		Twelve Months Ended June 30	
	1978	1977 (Restated)	1978	1977 (Restated)
Sales — Retail Division.....				
— Concrete Division.....	12,671	10,990	29,703	29,830
— Lumber Division.....	7,009	5,743	13,338	8,430
Total.....	74,874	66,786	161,363	154,411
Costs and Expenses				
Cost of Sales, Selling, General and Administration.....	68,401	62,285	146,557	142,365
Depreciation and Depletion.....	1,275	1,051	2,342	2,100
Interest				
(Long Term: 1978 \$849, 1977 \$526, \$1,060).....	1,962	1,704	4,150	3,591
Gain on Disposal of Fixed Assets.....	159	134	521	324
Income Taxes.....	3,395	1,880	8,835	6,679
Earnings before Minority Interest.....	2,124	1,243	5,270	3,876
Minority Interest (Loss).....	—	(10)	13	14
Net Earnings for the Period.....	\$ 2,124	\$ 1,253	\$ 5,257	\$ 3,862
Earnings per Share.....	\$0.52	\$0.31	\$1.30	\$0.97

Note: The 1977 figures have been restated to reflect the pro-ration of the inventory tax credit on the basis of sales. The tax credit in the first six months amounts to \$221,000 in 1978 and \$206,000 in 1977.